ORIGINAL

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EX PARTE OR LATE FILED

Bell Atlantic

June 7, 2000

EX PARTE

RECEIVED
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, N.W.
Washington, D.C. 20554

Re: Bell Atlantic Corp. and GTE Corp., CC Docket No. 98-184

Dear Ms. Salas:

This letter briefly addresses certain narrow issues in connection with our proposed spin-off of Genuity.

First, under our current proposal, the merged GTE/Bell Atlantic ("NewCo") will own shares that provide a less-than-10% interest in Genuity and an option to acquire more than 10 percent of Genuity only after it eliminates section 271 restrictions applicable to 50% of Bell Atlantic's in-region lines. NewCo can sell its option once it has met this 50% threshold, but at that point is limited to receiving proceeds equal to the value of its original investment in Genuity plus a normal return.

As modified here, if NewCo sells all or part of its shares (and the accompanying option) once it has met the 50% section 271 threshold, it must offer to sell the shares to Genuity for an amount equal to the value of its original investment plus a normal return. The purchase price is payable in the form of a marketable debt instrument. In the event that Genuity declines to purchase the shares, NewCo would be able to transfer the shares to a disposition trustee for sale to a third party (subject to the limitations on receipt of proceeds that we previously proposed). This modification allows Genuity (and its Class A shareholders) to receive the benefit of any appreciation in the value of NewCo's shares that is uniquely attributable to Genuity's participation in the Internet business, and places control over the disposition of NewCo's shares into the hands of other parties. This modification is reflected in the revised exhibit A attached to this letter.

Second, we are modifying our proposal to provide that, even if NewCo eliminates section 271 restrictions and is able to exercise its option, it may not retain the portion of any appreciation in its shares that is attributable to Bell Atlantic in-region states during the period NewCo remains subject to section 271 restrictions in those states. Instead, that portion of the appreciation will be transferred to Genuity's Class A shareholders. By requiring NewCo to effectively pay a larger price to exercise its option the longer it takes to eliminate section 271 restrictions, this modification further increases NewCo's already enormous incentive to obtain section 271 approval as quickly as possible

Specifically, because Genuity's existing data business operates on a nationwide (indeed, worldwide) basis, the portion of the appreciation that is attributable to Bell Atlantic's in-region states is calculated based on the number of Bell Atlantic's in-region access lines compared to the number of access lines nationwide. This is conservative because it does not take into account the fact that a significant and growing portion of Genuity's business is devoted to international operations. If Genuity's international operations were taken into account, it would reduce the portion attributable to in-region operations further.

The portion of any in-region appreciation that is attributable to Bell Atlantic states where NewCo remains subject to section 271 restrictions either will be paid to Genuity for distribution to the holders of Class A common stock or the conversion ratio will be adjusted to reduce the shares that NewCo receives upon exercising its option by a corresponding amount. In either event, NewCo will transfer to the holders of the Class A shares the portion of the appreciation on NewCo's shares that is attributable to states where NewCo has not eliminated section 271 restrictions. This modification is reflected in revised exhibit A.

Third, we are clarifying that the duration of the transitional services agreements with Genuity will be limited to the shortest time practicable for Genuity post-closing and, upon further reflection, we have decided that it will be unnecessary for us to seek renewal of these agreements after that period. We also are clarifying that NewCo will not have any role in hiring or firing Genuity employees, and that NewCo will cease providing network monitoring services to Genuity by October 31, 2000. These clarifications are reflected in the revised exhibit A (and the table attached to that exhibit).

Fourth, to be consistent with previous submissions, the revised exhibit A makes clear that, once Bell Atlantic/GTE has eliminated applicable section 271 restrictions and is able to exercise its conversion rights, it retains discretion to determine the timing of that exercise (so that it may do so in an economically efficient manner). It also makes clear that, once Bell Atlantic/GTE has eliminated applicable section 271 restrictions and is able to exercise its conversion rights, it will comply with section 272 to the same extent that section 272 would apply if Bell Atlantic/GTE exercised its conversion rights, regardless of the timing of the exercise.

Fifth, in a recent joint meeting, AT&T claimed that one paragraph in Genuity's draft registration statement filed with the SEC suggested that, under certain narrowly limited circumstances, Bell Atlantic/GTE could receive compensation for its interest in Genuity that is greater than what is provided for in our proposal filed with this Commission. That is not the case. The draft registration statement will be amended to make clear that Bell Atlantic/GTE will not receive compensation greater than what is permitted under our proposal to this Commission. For convenience, a revised version of the relevant paragraph that makes this clear and will be included in the final registration statement is attached.

Sincerely,

Michael E. Glover

Michael E. Glover

Cc: K. Brown
D. Attwood
R. Beynon
K. Dixon
J. Goldstein
S. Whitesell
L. Strickling
C. Wright
M. Carey
J. Mikes
P. Silberthau
J. Bird
M. Jacobs

Change to the Genuity Registration Statement

The following is a proposed change to language in the draft registration statement filed with the SEC to make clear that Bell Atlantic/GTE will be limited to receiving compensation as provided for in its proposal filed with the FCC. The change is reflected in bold:

Page 84

Mergers and Other Business Combinations. If we enter into a merger, consolidation or other similar transaction in which shares of our common stock are exchanged for or converted into securities, cash or any other property, the holders of each class of our common stock will be entitled to receive an equal per share amount of the securities, cash, or other property, as the case may be, for which or into which each share of any other class of common stock is exchanged or converted; provided that in any such merger, consolidation or other similar transaction, the holders of the shares of Class B common stock shall be entitled to receive, at their election, either (1) the merger consideration such holders would have received had they converted their shares of Class B common stock immediately prior to the consummation of such transaction or (2) a new security that is convertible into the merger consideration and has substantially identical voting and other rights as the Class B common stock. In any transaction in which shares of capital stock are distributed, the shares that are exchanged for or converted into the capital stock may differ as to voting rights and conversion rights only to the extent that the voting rights and conversion rights of Class A common stock, Class B common stock and Class C common stock differ at that time. As described above, the holders of the Class B common stock, voting separately as a class, must consent to any merger, consolidation or other similar transaction. **The amount of consideration that Verizon may retain from a merger, consolidation or other similar transaction is limited by the terms of the proposal to the FCC as described above under "Conversion of Class B Common Stock"and "Limitation on Receipt of Sale Proceeds".**

REVISED EXHIBIT A

GENUITY ESTABLISHED AS INDEPENDENT PUBLIC CORPORATION

Bell Atlantic and GTE will eliminate any section 271 issue that could arise from Bell Atlantic's ownership of Genuity (formerly known as GTE Internetworking) through the following structure.

1. IPO of Genuity

Genuity's existing nationwide data business will be established as a separate corporation that will be publicly owned and controlled. Before merging with Bell Atlantic, GTE will exchange its common stock of Genuity for shares of a new class of common stock, the Class B common stock, and Genuity will sell 90.5% of its equity to public shareholders through an initial public offering ("IPO"). Following these transactions, the Class B stock will carry only a 9.5% equity interest (9.5% of the voting rights and the right to receive 9.5% of any dividends or other distributions) in Genuity, subject to the conversion rights and investor safeguards described below, and Genuity's Class A common stock, initially representing 90.5% of the equity interest in the company, will be owned by the public. The merger of Bell Atlantic and GTE (creating "NewCo") will not close until the IPO is completed.

2. Conversion Rights

The extent of NewCo's rights to convert its Class B stock into a greater equity interest is as described below. NewCo will have five years from the closing of the merger (or longer, under certain specified circumstances) to satisfy the conditions associated with its conversion rights and to exercise those conversion rights.

A. *No Conversion Right Above 10% Equity Interest If Threshold Not Met*

Unless and until NewCo eliminates, as to at least 50% of Bell Atlantic in-region lines,[1] section 271 restrictions applicable to its operation of Genuity's business, NewCo will only have the right to convert its Class B stock into Class A stock representing a 10% equity interest in Genuity. Accordingly, if NewCo fails to meet the 50% threshold within the conversion period, NewCo will never have any right to convert its stock into more than a 10% interest, and the public shareholders' ownership of at least 90% of the company will be permanent. Likewise, if NewCo transfers its Class B shares to a third party before reaching the 50% section 271 threshold, that third party will never be able to convert those shares into more than a 10% interest in Genuity.

[1] "Bell Atlantic in-region lines" shall equal the sum of the number of lines for each of the Bell Atlantic in-region states, and the number of lines for each Bell Atlantic state shall be the number of total billable access lines for the Bell Atlantic operating company in that state in Bell Atlantic's 1999 ARMIS reports (and reported in the FCC's 1999 ARMIS Report 43-04), except that because the entry for Bell Atlantic–New York Telephone includes Bell Atlantic lines in both New York and Connecticut, the number of lines for Connecticut shall be 54,087 and the number for New York shall be 11,088,712.

B. ***Conversion Right Above 10% Equity Interest Once Threshold Is Met***

Once NewCo has met the 50% section 271 threshold, its Class B shares will be convertible into stock that will represent approximately 80% of the outstanding shares of Genuity following conversion, assuming no additional Class A shares are issued before conversion. Even after meeting this threshold, however, NewCo itself cannot exercise its conversion rights so as to own and control Genuity unless and until NewCo has eliminated all section 271 restrictions applicable to NewCo's operation of Genuity's business.

Once NewCo has eliminated such restrictions as to 95% of Bell Atlantic in-region lines, NewCo may require Genuity to reconfigure its operations in one or more Bell Atlantic in-region states where NewCo has not eliminated such restrictions in order to bring those operations into compliance with section 271 and allow NewCo to exercise its option and own and operate Genuity, *provided that* (i) NewCo gives the Commission at least 90 days advance notice of its intent to exercise its option and submits to the Chief of the Common Carrier Bureau a plan for the reconfiguration of Genuity's operations in the relevant state or states, (ii) the reconfiguration of Genuity's operations does not result in the loss to Genuity of more than 3% of its annual revenue, and (iii) NewCo reimburses Genuity for the cost of such reconfiguration (as provided for in an agreement between NewCo and Genuity).

NewCo's post-conversion interest will be lower than 80% if Genuity, as is anticipated, issues additional shares of Class A stock before NewCo exercises its conversion rights. Upon exercise of its conversion rights, NewCo's Class B shares shall be converted into the appropriate number of Class C shares. Each share of Class C stock will be identical to a share of Class A stock except that it will carry five votes; these enhanced voting rights will likely preserve NewCo's ability to obtain voting control of Genuity post-conversion in the event Genuity has issued substantial amounts of new Class A shares. If NewCo transfers its Class B shares to another party, that party may only convert them into Class A stock.

Subject to the limitation on sales proceeds below, NewCo will have the right at any time after it has met the 50% section 271 threshold to dispose of all or part of its Class B shares, or to exercise its conversion rights as part of a transaction by which it immediately disposes of all or part of its interest in Genuity so that its post-conversion interest in Genuity does not exceed a 10% equity interest. If NewCo seeks to sell all or part of its interest in the Class B shares after it has met the 50% section 271 threshold (but before it has eliminated applicable section 271 restrictions as to 95% of Bell Atlantic in-region lines), it shall offer to sell such shares to Genuity at a price equal to the amount it would be able to retain under section 2(c) below with the purchase price payable in the form of a marketable debt instrument which will not be subordinate and will have a fair market value equal to its face value. Genuity shall have 90 days after the date it receives such an offer to agree to purchase NewCo's shares. If Genuity agrees to purchase NewCo's shares within the 90 day period, Genuity shall have 180 days after the date it receives the offer to make any financial or other arrangements and to complete the purchase. NewCo will grant any consent necessary under the investor safeguards described below in order to complete such a sale to Genuity. In the event Genuity chooses not to purchase NewCo's shares within the

90 day period after it receives such an offer (or if Genuity is unable to complete the purchase), then NewCo will transfer the shares to a disposition trustee selected in accordance with the Commission's rules for sale to a third party purchaser. Upon completion of the sale, the disposition trustee will remit to NewCo as soon as reasonably practicable the proceeds of such a sale subject to the limitation on sales proceeds in section 2(c). To the extent Class B shares are purchased by someone who is not subject to applicable section 271 restrictions, that purchaser would be free to convert those Class B shares immediately into Class A shares. If before NewCo's conversion period would otherwise expire, NewCo has offered to sell Class B shares to Genuity, the conversion period will be extended to allow for sale of the Class B shares to Genuity or to another party.

After NewCo has eliminated applicable section 271 restrictions as to 100% of Bell Atlantic in-region lines and simultaneous with its conversion of the shares of Class B common stock, NewCo would, at its election, either make a payment to Genuity for distribution to the holders of Class A common stock or adjust the conversion ratio, in either event so that the holders of Genuity's Class A common stock receive a portion of the appreciation on the Class B common stock (and accompanying conversion rights). That portion would be determined as follows. First, NewCo's total appreciation would be determined; that would be an amount equal to the value of NewCo's Class B common stock on an as-converted basis (determined by a nationally recognized investment banker in proportion to the appreciation in the publicly traded Class A common stock but adjusting that appreciation so that it did not reflect anticipation of the payment or conversion change contemplated by this paragraph) less the initial value of NewCo's Class B stock (based on the original IPO price). Second, the appreciation attributable to a 10% interest in Genuity would be subtracted from NewCo's total appreciation (since NewCo could have owned that without regard to section 271 restrictions). Third, as of each anniversary of the closing of the IPO, a percentage will be determined equal to 25 percent[2] times a fraction, the numerator of which is the number of Bell Atlantic in-region lines as to which applicable section 271 restrictions have not been eliminated and the denominator of which is the number of Bell Atlantic in-region lines.[3] Fourth, those annual fractions will be averaged. And fifth, the product of that average fraction times NewCo's appreciation (less the ten percent subtracted in step two) will either be paid in cash to Genuity, in which case it will be tax adjusted (to reflect the fact that NewCo would have to pay taxes if it sold Genuity stock or other assets to raise the cash), or translated into a number of shares of Genuity stock and forgone by NewCo in the conversion, in either event giving the appropriate amount of value to the public shareholders.

[2] Because Genuity operates its existing data business on a nationwide (indeed, worldwide) basis, the portion of appreciation attributable to Bell Atlantic's in-region states was calculated by dividing the number of Bell Atlantic's billable access lines in its in-region states by the number of billable access lines nationwide (as both reported in the FCC's 1999 ARMIS Report 43-04). The resulting percentage was then rounded up to 25% (putting a larger portion of the appreciation at risk). This provides a conservative estimate of the portion of the appreciation attributable to Bell Atlantic's in-region lines, particularly because it does not take into account the fact that a significant and growing portion of Genuity's revenues are attributable to international operations. If Genuity's international operations were taken into account, it would reduce the percentage further.

[3] "Bell Atlantic in-region lines" are as defined in note 1, *supra*.

C. *Limitation on Sales Proceeds*

If NewCo sells all of its stock before it has eliminated applicable section 271 restrictions as to 95% of Bell Atlantic in-region lines, NewCo will not have a right to retain after-tax sale proceeds that exceed (i) the value of a 10% equity interest in Genuity (determined based on the sale proceeds), plus (ii) the amount NewCo would have if it had taken the amount of its initial investment in Genuity above a 10% interest (based on the IPO offering price for the Class A shares) and invested it at the time of closing in the S&P 500 Index. If, during such period, NewCo sells all of its stock except an amount convertible into a 10% equity interest in Genuity, NewCo will have a right to retain only the amount described in clause (ii) above.[4] In each of these cases, NewCo would pay the remainder of its after-tax sale proceeds, or such lesser amount as the Commission in its discretion may determine, into the general fund of the U.S. Treasury. Once NewCo has eliminated applicable section 271 restrictions as to at least 95% of Bell Atlantic's in-region lines, NewCo may sell its stock and retain the full sale proceeds.

D. *Extension of Five-Year Conversion Period*

If, by the end of five years, NewCo has eliminated applicable section 271 restrictions as to all but 10% of Bell Atlantic in-region lines (or as to all but one state, irrespective of the percentage of Bell Atlantic in-region lines accounted for by that state, plus additional states accounting for up to 5% of Bell Atlantic in-region lines), NewCo may file a petition with the Commission requesting relief, in the event of which filing NewCo will be permitted one additional year (which may be extended at the discretion of the Commission) in which to eliminate the remaining restrictions and exercise its conversion rights. If, by the end of the conversion period, litigation is pending over whether NewCo has eliminated such restrictions as to certain lines, and if a court determines after the end of the conversion period that NewCo has eliminated such restrictions as to those lines, then for purposes of these provisions NewCo shall be deemed to have eliminated those restrictions within the conversion period and shall be permitted a reasonable time to exercise or dispose of its conversion rights.

The Commission shall have discretion to toll or extend the running of the conversion period to account for intervening events that delay elimination of section 271 restrictions.

If, by the end of the conversion period, NewCo has eliminated applicable section 271 restrictions as to 100% of Bell Atlantic in-region lines, then NewCo shall be able to exercise its conversion rights at a time determined by Newco (whether inside or outside the conversion period). Once Bell Atlantic/GTE has eliminated applicable section 271 restrictions as to 100% of Bell Atlantic in-region lines, it will comply with section 272 to the same extent that section 272

[4] Likewise, if, during such period, NewCo sells a portion of its stock but retains stock convertible into more than a 10% equity interest in Genuity, NewCo will have a right to retain only a prorated portion of the amount described in clause (ii) above; and if, during such period, NewCo sells all of its stock except for an amount convertible into less than a 10% equity interest, NewCo will have a right to retain the proceeds from the number of shares sold that, together with the number of shares retained, would be convertible into a 10% equity interest, plus the amount described in clause (ii) above.

would apply if Bell Atlantic/GTE exercised its conversion rights, notwithstanding any delay in actual conversion of its shares of Class B stock.

E. *Compliance with Legal Order*

If, before NewCo satisfies the 50% section 271 threshold, a court or agency rules that NewCo's interest in Genuity results in a violation of section 271, NewCo's Class B shares shall be immediately convertible to the same extent as described above in section 2.B. In such event, NewCo shall be given a reasonable time extending beyond the date that such ruling becomes final and non-appealable in which to dispose of its Class B shares to the extent they are convertible into more than a 10% interest (or to convert those shares as part of a disposition), and may sell its shares to a third party subject to the limitation on sales proceeds described above.

3. Independence of Genuity

Until NewCo eliminates the applicable section 271 restrictions and exercises its option to take ownership of Genuity, Genuity will be independent of NewCo. Genuity will have an independent board of directors that is periodically elected by the voting shareholders consistent with the requirements of applicable corporation laws. Before the IPO, Genuity will elect six directors, including the CEO of Genuity, one director elected by a class vote of the Class B shares, and four independent directors who have no prior relationship with GTE or Bell Atlantic. Within 90 days following the IPO, the four independent directors will select seven additional directors who have no prior relationship with GTE or Bell Atlantic, which will bring the total board membership to 13 directors, a majority of whom will have been selected after the IPO. In addition, as soon as practicable, but in any event within nine months following the IPO, all directors except the Class B director will stand for election by the public shareholders. The Class B director will abstain from any vote before there are at least ten directors on the board and will at no time serve as chairman of the board. Exhibit B to the April 28, 2000 *ex parte* submission of William P. Barr describes more fully how the board of Genuity will be constituted and elected.

The board and officers of Genuity will owe fiduciary duties to the public shareholders. Incentive compensation for Genuity managers will be tied to the performance of Genuity and the value of Genuity's publicly traded stock, not to the financial performance or stock value of NewCo. The initial source of financing for Genuity will be the proceeds from the IPO of Class A stock. Any additional funding required by Genuity during the period before NewCo converts its Class B stock would be raised from the public markets, possibly by issuing additional Class A shares, by issuing debt to the public, or by arm's-length commercial loans. During such period, if NewCo were to choose to make loans to Genuity, NewCo could provide no more than 25% of the aggregate debt financing that Genuity is permitted to incur.

4. Investor Safeguards

NewCo's interests as a minority investor and potential future majority shareholder of Genuity will be protected by certain reasonable investor safeguards, which are described in Exhibit C to the April 28 *ex parte* submission of William P. Barr. NewCo's rights under these safeguards will remain in effect only until NewCo converts its Class B shares (or until NewCo no longer has a possibility of converting into more than a 10% interest). They are typical of the rights commonly held by prospective acquirers and are modeled on investor protections that have regularly been permitted by the Commission. These include the right to approve certain fundamental business changes that adversely impact the value of NewCo's minority investment and conversion rights, including a change in control of Genuity or the sale of a significant portion of its assets.

Genuity's business includes Internet backbone and related IP services. Genuity does not provide traditional switched voice long-distance service, and Genuity's business plan does not contemplate the acquisition of a traditional voice long-distance service provider. NewCo agrees not to consent, pursuant to any applicable investor safeguard rights, to Genuity's acquisition of a traditional voice long-distance provider unless the Commission has first reviewed and approved such acquisition.

5. <u>Commercial Contracts Between NewCo and Genuity</u>

Consistent with the fact that Genuity and NewCo will each be independent public corporations whose directors and officers will owe duties of care and loyalty to their respective shareholders, all commercial interactions between NewCo and Genuity will be pursuant to commercially reasonable contracts. (*See* "Commercial Contracts Between NewCo and DataCo," submitted for the record on April 3, 2000.)

Because a significant portion of Genuity's business will be outside the Bell Atlantic region or in in-region states where Bell Atlantic has eliminated applicable interLATA restrictions, NewCo will enter into a marketing agreement with Genuity for the period before NewCo exercises its conversion rights. (*See* "Purchase, Resale and Marketing Agreement," submitted as part of the "Commercial Contracts Between NewCo and DataCo.") Both GTE and Bell Atlantic are legally free to enter into this kind of commercial relationship today with a similarly situated company. Pursuant to this agreement, NewCo will market Genuity's services (or the two companies will market their services jointly) as and where permitted by law. For example, in New York, where Bell Atlantic has already received section 271 approval, NewCo and Genuity will jointly market Genuity's Internet connectivity services. The agreement provides that NewCo will not provide or jointly market any interLATA Genuity service in any state where NewCo does not have interLATA authority. The agreement is non-exclusive; either company may purchase from or sell to others. This marketing agreement will enable customers to begin realizing immediately some of the important Internet benefits promised by NewCo's eventual acquisition of Genuity and will also help to preserve Genuity's integrity and competitiveness until then.

NewCo and Genuity will also enter into certain additional commercial contracts, including contracts for transitional administrative support services to help ensure Genuity's stand-alone viability following the Genuity IPO. These transitional support contracts are typical of the commercially reasonable transitional arrangements that would be needed if Genuity were sold to a third party today. They will have a term of one year or less and will be terminable at any time by Genuity without penalty. In addition, these transitional services contracts will not be renewed by the parties. The list of transitional services, with the timeframes for each service within which Genuity will transition from NewCo, is attached to this exhibit as Attachment 1. NewCo will not have any role in hiring or firing Genuity employees, and Genuity will not rely upon any network monitoring from NewCo after October 31, 2000.

6. Independent Auditor

NewCo will hire an independent auditor, acceptable to the Chief of the Common Carrier Bureau, to monitor NewCo's ongoing compliance with the terms of this Revised Exhibit A.

ATTACHMENT 1

Verizon-Genuity Transitional Services Compared to Services Currently Provided by GTE to Genuity

GTE Department	Function	Sub-functions	Will Verizon perform for Genuity, and for what maximum period of time?
Human Resources	Workforce Effectiveness	Compensation & benefits policies	No
		Executive staffing	No
		Leadership development	No
		Employee Relations	No
		Workforce diversity	No
		Organizational development	No
		HR communications	No
	Labor Relations	Labor relations planning	No
		Bargaining unit negotiation	No
		Arbitration	No
	HR Operations Centers	Compensation Administration	No
		Benefits Administration	Yes, 8 months
		Staffing	No
		Recruiting	No
		Employee records SAP system	Yes, 12 months
		Employee relations	No
		Workforce planning	No
		College relations	No
	Domestic Operations	Linkage to appropriate HR staffs and HR program advocate	No
		Local contact for employee relations, hourly staffing, etc.	No
	Workforce Development	Sales, technical & management training	No
		Sr. executive culture initiatives	No
	Technology & Services	HR Safety	No
		HR Security	No
		Aviation	No
		Facilities	No
		Environmental standards	No
		Technical support systems	No
		Enterprise services-travel, print services, records management and reference services	No
Legal & Regulatory	Government & Regulatory Affairs	Legislation- lobbying, compliance oversight, etc.	No

ATTACHMENT 1

Verizon-Genuity Transitional Services Compared to Services Currently Provided by GTE to Genuity

GTE Department	Function	Sub-functions	Will Verizon perform for Genuity, and for what maximum period of time?
		Regulatory agency filings, applications, patents, testimony & tariffs, advocacy	No
		Regulatory & state Agency Relations	No
		Industry Affairs – Representation at Trade Associations Import - Export Controls	No
	General Counsel & Corporate Secretary	Strategic advice	No
		Corporate secretary-shareholder services, proxies, shareholder relations	No
		Advice on finance, securities law, advertising, public affairs, real estate, leasing, investment management and insurance	No
		Commercial contracts	No
	General Counsel	Litigation	No
		Antitrust advice	No
		Compliance advice	No
		Intellectual property advice	No
		Employment law advice	No
		Legal advice on regulatory & legislative matters	No
	Government Relations-SBU Specific	Regulatory/Government Affairs support for SBU	No
		Intercompany contracts	No
		License authorization	No
		Regulation of businesses	No
	Regulatory Planning & Policy	Cross-SBU position and policy development & conflict resolution	No
		Regulatory & legal planning & issue analysis	No
		Economic analysis & advocacy	No
	Regulatory Compliance	Business affiliates compliance & rules of engagement	No
		Regulatory accounting & compliance	No
		Regulatory fees & surcharges	No
		Regulatory program management	No

ATTACHMENT 1

Verizon-Genuity Transitional Services Compared to Services Currently Provided by GTE to Genuity

GTE Department	Function	Sub-functions	Will Verizon perform for Genuity, and for what maximum period of time?
Public Affairs & Communications	National Operations	Communications for various interest groups-customers, employees, investors & key constituents	No
	Strategic Communications	Customer, employee & senior management communications	No
		Executive meetings & conferences	No
		Publications	No
		Community relations	No
	Corporate Communications	Media relationships, news releases & press briefings	No
		Regulatory advocacy to business, general and trade media	No
		Senior management speeches	No
Corporate Advertising & Social Responsibility	Corporate Public Involvement & Philanthropy	Policy setting for social investments & programs	No
		GTE Foundation contributions	No
		Employee volunteerism	No
		Community affairs	No
	Interactive Media	Corporate Webmaster	No
	Brand Advertising	Brand imagery in Company communications	No
		Corporate identity standards	No
Planning & Development	Strategic Planning	Strategic planning- Development of 5 year plan	No
		Competitive analysis	No
	Business Development	Merger & acquisition analysis	No
		New business development	No
		Product Development & Market Mngt (PDMM) process management	No
		Incubation-enhanced IP services, internet commerce, network integration services, web support services	No
		Strategic alliances	No
		Internetworking data strategy	No
	GTE Integrated System Planning	GISP - Funding, prioritization & monitoring & management of system development & enhancement across SBUs	No
	Integrated Broadband	Manage inter-SBU deployment of FTTN/VDSL capital	No
		Manage integrated voice, data & video broadband deployment	No
Finance	Controller	General ledger	No
		Payroll SAP system and services	Yes, 12 months
		Accounts payable	Yes, 8 months

ATTACHMENT 1

Verizon-Genuity Transitional Services Compared to Services Currently Provided by GTE to Genuity

GTE Department	Function	Sub-functions	Will Verizon perform for Genuity, and for what maximum period of time?
		Intercompany cost allocations	No
		Asset accounting	Yes, 8 months
	Internal Audit	Internal controls reviews	No
	Consolidated Reporting & Analysis	Corporate financial consolidations	No
		SEC reporting	No
		Earnings releases	No
		Financial policies & controls	No
	Treasury	Capital markets & financing	No
		Capital structure planning	No
		Rating agency support	No
		Debt administration	No
		Cash processing services	Yes, 8 months
		Short term financing	No
		Banking services	No
		Health & welfare benefit processing	Yes, 8 months
		Retirement benefits processing	Yes, 8 months
		Insurance	No
		Risk management	No
	Investment Management	Investment Management	No
	Taxes	Income tax-Federal, state & local	No
		Property, sales & use & other	No
		Tax planning	No
		Tax accounting	No
	Investor Relations	Investor Relations	No
	Business Analysis	Financial results & analysis support	No
		Business partner for financial matters	No
		Outlook & budget management	No
		Sales compensation administration	No
		Management reporting	No
		Allocation of financial resources	No
		Quality measurements	No

ATTACHMENT 1

Verizon-Genuity Transitional Services Compared to Services Currently Provided by GTE to Genuity

GTE Department	Function	Sub-functions	Will Verizon perform for Genuity, and for what maximum period of time?
National Marketing	Marketing Programs	Event marketing-sports, trade shows, etc.	No
		Market communication-planning, program development & support	No
	Marketing Information Management (MIM)	Functional owner of marketing data warehouses	No
		Database marketing methodology driver	No
	Channel Strategy	Channel planning, integration & conflict management	No
	Complex Systems	Technical integration, project control & contract evaluation	No
	Market Strategy	Market research assessment	No
		Competitive analysis & response	No
	Product Strategy	Stage process for new product development	No
		Coordinate product & platform development	No
		Segment product hierarchy	No
Information Technology	Commercial Services	Marketing products & services for 3rd. parties	No
	Process, Quality and Administration	Y2K program, program office, program management, process quality and audits	No
	IT Services	IT computing infrastructure, continuing operations support, IT development and enhancement, and SAP implementation	Yes, 12 months
	Monitoring services	Monitoring services for GNI	Yes, 4 months
	Technology Business Planning	Establish strategic direction and define overall network architecture	No
		Industry standards activity and technical research & development	No
	Operations Process Planning	Enterprise process, planning & systems integration: fulfillment, assurance, provisioning and billing & payment processing	No
Diversity Marketing & Management	Diversity Marketing & Management	Marketing, supplier and management diversity	No
Supply	Supply Chain Mgmt.	Contract Negotiation, SBU specific purchasing, bulk discount contracting, Vendor management.	No
Support Assets and Real Estate	Realty, Leasing & Space Management	Procures office space, manages property, provides security & cleaning, Manages construction. Environmental and safety services	Yes, 3 months
GTE Labs	Research & Development	Consolidated R&D for GTE entities.	No
Consolidated Services, Inc.	Billing	Billing, remittance processing, credit checks, and collections	Yes, 12 months